

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 21, 2012

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Corder, Vice Chairman Johnson, Senators Hill, McKenzie, Hammond, Siddoway, Rice, Werk, and Bilyeu

**ABSENT/
EXCUSED:**

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

Chairman Corder called the meeting to order at 2:05 pm.

H 485AA

To Revise the Eligibility Criteria for Taking a State Income Tax Deduction for Installing Energy Efficiency Upgrade Measures within Existing Residences; Declaring an Emergency and Providing Retroactive Application. **Chairman Corder** introduced **Representative Jacquet**. **Representative Jacquet** said the original bill related to a tax deduction for installing energy efficiency upgrades for houses built before 1976. The new bill provides a deduction if the home was built prior to 2002. This legislation applies only to the taxpayer's main residence, not rental properties. This legislation also clarifies what is eligible for deduction. The Idaho Strategic Energy Alliance supports this legislation. There are also economic development benefits, such as job creation for engineering firms, wholesalers, materials retailers and the construction industry, which has been the industry most affected by the recession. The energy code for new homes became compulsory in 2002, which is why that year is used in the legislation.

Chairman Corder introduced **Representative Vander Woude**. **Representative Vander Woude** said this bill provides a tax break for the average homeowner. The previous legislation included commercial property and rentals; this only applies to residences. When a residence is improved upon, the value of the home goes up and then so too does the tax. There is a direct write-off according to expenses; it is not a credit against taxes. Energy costs continue to climb and the value of the deduction will increase proportionally to the price of energy. With the construction industry in a current downturn, the cost to the homeowner to make improvements could be less as well.

Senator Bilyeu asked if the upgrades include rewiring. **Representative Vander Woude** said it would not be included; just those items that directly affect energy efficiency.

Vice Chairman Johnson asked if doors would qualify for the tax deduction. **Representative Jacquet** said the legislation follows the energy conservation code for eligibility of items. **Vice Chairman Johnson** said one letter in support mentioned doors and one did not, so there was some confusion.

Chairman Corder asked for the steps to get the deduction on the tax return. **Representative Jacquet** said there would be an official audit to recommend energy-saving steps and the homeowner would then choose which ones to do. There is a line item on the tax form to enter the deduction. **Senator Hill** said an itemized deduction form does not have to be filed in order to claim this deduction on the Idaho return. There is a line on the Idaho form and this is not a deduction for federal income tax.

Senator Hill said the original legislation stated it was only allowed for the residence of the taxpayer. Line 13 states it has to be in any existing building in the state of Idaho which serves as a place of residence of the individual taxpayer.

Representative Vander Woude said this is the original legislation and it could be read to have been available to residences only. .

Senator Bilyeu said the part to be stricken specifically mentions doors, but the new bill does not mention doors; are they now eliminated from the deduction.

Representative Jacquet said the energy conservation code was followed and doors are not mentioned.

Chairman Corder asked **Senator Hill** how difficult the administration of this legislation would be. **Senator Hill** said there would be a second Idaho form and the taxpayer would have to have receipts of anything they are deducting. **Senator Hill** said few of his accounting clients qualified for the old legislation since most had houses that were built after 1976 and few would be expecting this now. **Chairman Corder** asked if tax software packages would be able to handle this deduction. **Senator Hill** said most of the common software packages are sophisticated enough.

Chairman Corder introduced **Milan Kaldenberg**, CPA, who spoke in support. **Mr. Kaldenberg** said the current law is unfair and this will be a good improvement. There have been clients who have purchased energy-efficient windows on the assumption that they would get a deduction; however, their residence was built in 1978, so it was disallowed. Nothing was on the return that said only homes built prior to 1976 would be eligible. The outdated law and overzealous government agencies have caused hardships to taxpayers. The deduction being disallowed has happened to a number of people.

Chairman Corder introduced **Ben Davenport**, of Risch, Pisca Law Firm, representing the Building Contractors Association, who spoke in support. **Mr. Davenport** said this legislation does not include doors; the old language referred to storm doors.

Chairman Corder introduced **Pam Eaton**, Idaho Retailers Association, who spoke in support. **Ms. Eaton** said the retailers will let people know when they make purchases that would be tax deductible. There are also signs in the store, and many employees would tell customers what they need in order to receive their deduction.

Chairman Corder introduced **Neil Colwell**, of Avista Corporation, who spoke in support.

Vice Chairman Johnson asked if Avista has any ongoing energy-efficiency rebates or programs for customers. **Mr. Colwell** said there are, and Avista has been involved in those activities in varying degrees for the last 30 years.

Senator Hill said some utility companies have provided incentives over the years in the form of actual rebates; what kind of programs does Avista have. **Mr. Colwell** said they have been engaged in those types of programs; in the past, there have been 10-year no interest loans. Since that time, there have been a variety of other programs, but he has not been as involved in those, so does not have details. There have been a variety of incentives, but they are not as aggressive as they have been in the past.

Senator Hill asked **Mr. Kaldenberg** if the cost of the improvements that are able to be deducted include the cost of labor. **Mr. Kaldenberg** said typically, yes, because those are included in the purchase price. The State Tax Commission has not confirmed labor is included.

Vice Chairman Johnson asked **Representative Jacquet** if the fiscal note includes the cost of labor. **Representative Jacquet** said the number of jobs generated does include labor. The numbers in the fiscal note were provided by the Tax Commission.

Senator Werk said the cost to the state will be what is written on the fiscal note. This figure will be accurate as represented by the Tax Commission. **Representative Jacquet** said that is true.

MOTION:

Senator Werk made a motion to send H 485aa to the floor with a Do Pass recommendation. **Vice Chairman Johnson** seconded. **Senator Werk** said one of the focuses of the interim energy committee was energy efficiency. It has the least cost and extends the energy supply. As the population grows, it would be good to see the energy usage decrease.

Senator McKenzie said energy efficiency was not only the highest priority, but utilities have to do long-range planning for potential growth. This outweighs new generations of power, no matter the source. Education can help people be more energy-efficient. This is a better way to manage energy than through mandates, which other states have done.

Motion carried by Voice Vote. **Chairman Corder** and **Senator Hill** voted no.

ADJOURNMENT: **Chairman Corder** adjourned the meeting at 2:50 pm.

Senator Corder
Chairman

Jo Ann Bujarski
Secretary